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The DEMAND and PRICE SITUATION

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Approved by the Outlook and Situation Board, August 20, 1959

SUMMARY

Total farm output in 1959 will likely be about the same as the 1958 record. Crop production prospects improved during July and the Crop Reporting Board has announced that conditions as of August 1 pointed to a total crop output about $2\frac{1}{2}$ percent smaller than last year. Total wheat output is estimated at 1.1 billion bushels, nearly a fourth below 1958. But a 45 percent increase in the carryover from 1958-59 insures a record wheat supply -- about 2 percent above the previous record last year. The soybean crop is indicated to be 7 percent smaller than 1958 but 63 percent above "average" (1948-57). Hay production is down 10 percent from last year and the fall potato crop is forecast at 8 percent smaller.

Feed grain production will be about the same. The corn crop may reach a new record of 4.2 billion bushels, a little smaller than was expected a month earlier but 10 percent up from 1958 and 28 percent higher than the 1948-57 average. The very large corn crop just about offsets substantially smaller production prospects for oats, barley, and sorghum grains. With the carryover of feed grains up sharply from a year earlier, the total feed grain supply in 1959-60 will be about 4 percent larger than in 1958-59. The outlook for cotton is for a crop 29 percent above last year's small outturn; acreage is up more than 25 percent and yields appear to be a record.

Total production of livestock and livestock products this year will be up about enough to offset the lower crop output. Production of meat animals will likely be up around 5 percent. Broilers, turkeys and eggs will all probably be moderately higher than last year. Output of dairy products may be down slightly.

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UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1958 Year	1958 July	1959 Apr.	1959 May	1959 June	1959 July
Industrial production: Seasonally adj. 1/							
Total	1947-49=100	134	134	150	153	155	153
All manufactures	do.	136	136	153	156	158	157
Durable goods	do.	141	141	164	169	172	169
Nondurable goods	do.	130	132	142	144	145	146
Minerals	do.	117	116	123	126	125	119
Construction:							
Total outlays, seasonally adjusted 2/	Mil. dol.	48,980	4,030	4,654	4,614	4,582	4,583
Public construction	Mil. dol.	15,033	1,259	1,411	1,358	1,333	1,337
Private residential	Mil. dol.	17,884	1,470	1,936	1,937	1,897	1,881
Housing starts	Thousands	1,209	1,174	1,434	1,370	1,370	1,350
Manufacturers' sales and inventories: 2/							
Total sales, seasonally adjusted	Mil. dol.	26,246	26,284	30,266	30,742	31,256	
Durable goods	Mil. dol.	12,402	12,256	15,166	15,515	15,766	
Unfilled orders-sales ratio 1/		3.57	3.59	3.12	3.01	2.95	
Inventory-sales ratio 6/		1.93	1.89	1.69	1.68	1.67	
Durable goods		2.32	2.31	1.94	1.92	1.91	
Employment and wages: 7/							
Total civilian employment	Millions	64.0	65.2	65.0	66.0	67.3	67.6
Nonagricultural	do.	58.1	58.5	59.2	59.6	60.1	60.8
Unemployment	do.	4.7	5.3	3.6	3.4	4.0	3.7
Workweek in manufacturing	Hours	39.2	39.2	40.3	40.5	40.7	40.4
Hourly earnings in manufacturing	Dollars	2.13	2.13	2.23	2.23	2.24	2.23
Income and spending:							
Personal income payments 2/ 3/	Bil. dol.	359.0	363.5	379.0	381.3	383.8	384.1
Consumer credit outstanding 1/	Mil. dol.	45,065	42,923	44,916	45,790	46,716	
Automobile	Mil. dol.	14,131	14,567	14,686	14,991	15,419	
Total retail sales, seasonally adj. 2/	Mil. dol.	16,682	16,721	17,953	18,223	18,189	18,248
Durable goods	Mil. dol.	5,284	5,221	6,137	6,100	6,162	6,140
Inventory-sales ratio 6/		1.44	1.43	1.36	1.35	1.36	
Prices:							
Wholesale prices, all commodities 4/	1947-49=100	119	119	120	120	120	120
Commodities other than farm and food	do.	126	126	128	128	128	128
Farm products	do.	95	95	92	91	90	88
Foods processed	do.	111	113	107	108	108	108
Consumer price index, all items 4/	1947-49=100	124	124	124	124	124	
Food	do.	120	122	118	118	119	
Prices received by farmers 8/	1910-14=100	250	250	244	245	242	240
Crops	do.	223	222	223	230	229	226
Livestock and products	do.	273	274	261	258	252	252
Prices paid, interest, taxes and wage rates 8/	1910-14=100	293	293	299	299	298	298
Family living items	do.	287	287	287	288	288	289
Production items	do.	264	265	269	268	267	266
Parity ratio 8/		85	85	82	82	81	81
Farm income and marketings: 8/							
Volume of farm marketings	1947-49=100	128	127	96	99	108	124
Cash receipts from farm marketings	Mil. dol.	33,560	2,773	2,179	2,180	2,308	2,600

Annual data for most of these items for the years 1929 and 1939-58 appear on page 35 of the April 1959 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census. 8/ U. S. Department of Agriculture, Agricultural Marketing Service.

THE DEMAND AND PRICE SITUATION

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Prices received by farmers in the first seven months of this year have averaged 3 percent below a year earlier. Most of the decline has centered in hogs, eggs and broilers. Some further decline in average prices received may be expected when marketings of this year's crops get underway. Even so, cash receipts from farm marketings are likely to hold close to the 1958 record. A larger volume of marketings this year, partly reflecting last year's record crop, is nearly offsetting lower average prices. Cash receipts from farm marketings during January-July totaled $16.6 billion, about 1 percent below the same period last year. Prices paid by farmers, including interest, taxes and wage rates, have shown no significant change since the beginning of this year, averaging close to 2 percent higher than a year earlier.

Continued growth in consumer income is likely for the rest of this year and demands for food and fiber will continue to expand. More than $67\frac{1}{2}$ million people were at work during July, and all-time high. Personal income rose to a record annual rate of $384.1 billion from $383.8 billion in June. Industrial production dipped a bit more than seasonally in July with steel output down to 12 percent of capacity by the end of the month. Exports of U. S. farm products, excluding cotton, were 7 percent higher in the first six months of 1959 than a year earlier. Cotton exports were more than 50 percent lower. However, the outlook is for some pickup in cotton shipments in coming months.

Commodity Highlights

Hog prices this fall and winter will continue to be the lowest in several years. The increase in cattle numbers indicates that cattle prices will begin a gradual cyclical downtrend in 1960. Slaughter lamb prices may continue near last year's level,while feeder lamb prices may remain below.

Although the average egg price probably will show some seasonal increase, heavy production is expected to hold prices below those of last year in the next few months.

Record supplies of edible fats, oils, and oilseeds are indicated for the 1959-60 marketing year; domestic disappearance of food fats probably will continue to increase because of the rise in population.

Feed grain production in 1959 is estimated at 158 million tons, approximately equal to last year's record crop. With an estimated carryover of 68 million tons, the 1959-60 domestic supply is about 226 million tons, 4 percent larger than the 1958-59 supply.

The wheat supply for the 1959-60 marketing year is estimated at an all-time high of 2,404 million bushels. It exceeds the previous peak last year by about 53 million bushels or 2 percent. A 45 percent increase in the carryover from 1957-58 more than offsets the smaller crop.

Present prospects indicate that grower prices during late summer for most fresh market fruits probably will average no higher than those of last year, while prices of fruit for processing likely will be somewhat below.

Aggregate supplies of late summer fresh vegetables are expected to be moderately larger than last summer while production of vegetables for commercial processing is expected to be somewhat smaller.

The August 1 report on the prospective cotton crop for 1959-60 indicates a crop of 14.7 million running bales, 29 percent above last year.

Domestic mill consumption of carpet wool in the first 6 months of 1959 was 76 percent higher than last year and the highest since 1950 while mill consumption of apparel wool was 36 percent higher. Total mill consumption for 1959 may be about 30 percent above that in 1958.

As of August 1 the flue-cured tobacco crop was indicated to be 7 percent larger than last year's; for auction sales through mid-August, prices averaged 58.9 cents per pound, practically the same as in a comparable period of last year.

GENERAL BUSINESS CONDITIONS

Rising Consumer Income and Spending

Consumer purchases of goods and services have risen at an annual rate of $24 billion since the recession low of $287 billion in the first quarter of last year and have accounted for nearly half the advance in total gross

national product. The latest data available on consumer spending, retail sales in July, showed a fractional increase over June after adjusting for seasonal changes and were about 9 percent above July of last year.

Rising incomes and the improving job outlook have supported the sharp rise in personal expenditures. Consumer income after taxes declined only slightly during the downturn and rose 8 percent from the trough of the recession in the first quarter of 1958 to the second quarter of 1959. Since consumer prices have advanced only fractionally since January-March 1958, the "real" increase in income has been nearly as great--about 7 percent.

Consumer spending in retail food stores continued to trend slowly upward throughout the 1957-58 recession. From April 1958, the low point, to June of this year, sales in retail food stores rose 2 percent. The consumer food price index during this period declined a little more than 2 percent so that the uptrend reflects a real increase in the demand for food and services attached to the marketing of foods. Rapidly increasing population and income have been the forces behind most of the rise in food store sales. An additional factor has been growing sales of nonfood items in stores which are primarily food distribution outlets.

Table 1.--Consumer income, spending and saving, second quarter 1958 to second quarter 1959, seasonally adjusted annual rates

Item	1958			1959		Change 2nd qtr. 1959 from 2nd qtr. 1958
	II	III	IV	I	II	
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Consumer expenditures for goods and services	290.9	294.4	299.1	303.9	311.2	20.3
Nondurables	141.5	143.1	143.6	145.3	147.7	6.2
Food and beverages	77.0	76.6	77.0	77.8	79.0	2.0
Clothing and shoes	25.7	26.7	26.6	26.7	27.8	2.1
Other	38.8	39.8	40.0	40.8	40.9	2.1
Durables	36.7	37.1	39.8	41.3	44.1	7.4
Autos and parts	13.6	13.2	15.7	17.2	18.8	5.2
Furniture and household equipment	17.0	17.6	17.8	17.7	18.8	1.8
Other	6.1	6.3	6.3	6.4	6.5	.4
Services	112.7	114.2	115.7	117.4	119.4	6.7
Personal saving	22.0	26.0	23.7	23.5	24.1	2.1

Department of Commerce.

Greater Willingness to Borrow

In addition to spending current income, consumers may borrow or draw on assets. There was a small dip in the long-term uptrend in consumer credit outstanding in the spring of 1958. While the decline in income was small, consumers, on the average, were unwilling to go further into debt to sustain the level of durables purchases. Reflecting the backlog of past borrowing, the volume of installment repayments continued to rise after business turned down in 1957 and then levelled out through the first half of 1958. By early 1958 new loan extensions began to run below repayments and installment credit outstanding declined. Toward the end of the year, particularly after the new model cars came on the market, credit extensions picked up. Since then consumer credit has been rising rapidly along with purchases of durables. Total consumer credit outstanding on July 1, 1959 amounted to $46.7 billion, close to $500 million above June, after seasonal adjustment, and $3.6 billion higher than in June 1958.

Table 2.--Consumer debt and mortgage debt in relation to consumer income, 1941, 1952 to 1959

Year	Consumer debt outstanding 1/		Nonfarm home mortgage debt 2/		Disposable personal income 3/
	Total	Percentage of disposable income	Total	Percentage of disposable income	
	Billion dollars	Percent	Billion dollars	Percent	Billion dollars
1941	9.2	9.1	31.2	31.0	100.6
1952	27.4	11.2	84.2	34.3	245.6
1953	31.2	12.3	93.6	36.9	253.8
1954	32.3	12.4	105.5	40.4	260.9
1955	38.7	13.7	120.9	42.7	283.0
1956	42.1	14.0	134.6	44.8	300.3
1957	44.8	14.5	146.1	47.1	309.9
1958	45.1	14.0	160.2	49.6	322.9
1st. qtr.	43.1	13.9	148.5	47.9	310.3
2nd. qtr.	42.9	13.7	151.7	48.5	312.9
1959					
1st qtr.	44.2	13.5	164.0	50.1	327.4
2nd qtr.	45.8	13.7	---	---	335.3

1/ Installment and other consumer debt outstanding at end of period related to income for last quarter of year or corresponding quarter. 2/ Total at end of period. 3/ Consumer disposable income is for the fourth quarter of each year shown.

Derived from data of Federal Reserve Board and Department of Commerce.

Greater Use of Liquid Assets

Consumers have also displayed a willingness to draw down liquid assets to support greater spending. During the first quarter of this year the flow of funds into savings and loan association accounts was 15 percent above a year earlier but withdrawals were up 19 percent. Desposits in mutual savings banks were 6 percent higher but withdrawals were 17 percent larger than in the first quarter of 1958.

Large Postwar Increase in Food Marketing Charges

Expenditures by consumers for farm produced foods increased from an average of $40.8 billion for 1947-49 to $57.7 billion in 1958, a gain of 41 percent. The farm value of these products increased from $18.3 billion to $20.8 billion over the same period, a rise of 14 percent. Thus, the farm value of farm food products was equal to 45 percent of the retail value in 1947-49 and 36 percent in 1958.

A recent study by the Agricultural Marketing Service has traced the long uptrend in the "marketing bill for farm food products. The total marketing bill is the difference between total civilian expenditures for domestically produced farm foods and the payment received by farmers for the equivalent farm products. It includes the total charges for the marketing services performed from the time these products are sold by farmers until they are bought by consumers. Growth in the volume of farm foods bought by consumers and increases in marketing costs per unit have combined to raise the total marketing bill 64 percent from the average for 1947-49 to 1958--from $22½ billion to $37 billion. Most of the increase in unit marketing charges was the result of rising wages and salaries, transportation charges, prices of containers, packaging materials, machinery, and other items bought by marketing firms. Profits per unit of product marketed also advanced over this period.

Receipts to farmers for these food products have risen much less than the marketing bill. This increase has resulted entirely from the greater volume of marketings; average prices received by farmers for these foods were lower in 1958 than in 1947-49.

Rapid Increase in Inventories

Gross national product rose by $53½ billion from the recession low to the second quarter of 1959. A shift from liquidation to accumulation of business inventories accounted for $17 billion or about 32 percent of this gain, for more than any other type of investment. Business firms reduced inventories at an annual rate of $7 billion January-March 1958. The rate of liquidation slackened in the following two quarters and in the last quarter of 1958 inventories increased by $0.8 billion. By the second quarter of this year inventories were increasing at a rate of $10½ billion a year. In June, the last month for which data are available, inventories rose by $0.8 million. Despite the sharp rise, inventories have not kept pace with sales, either at

the manufacturing or retail levels. However, the rate of inventory accumulation may slacken somewhat from the high levels of recent months and inventory investment will provide less support to economic expansion in the months ahead. Automobile stocks will be worked down to as the new model season approaches and inventories of all types will get more in line with current sales. In the immediate future, further stock accumulation will be affected by the length of the steel strike.

Table 3.--Investment expenditures, second quarter 1958 to second quarter 1959, seasonally adjusted annual rates

Item	1958			1959		Change 2nd qtr. 1959 from 2nd qtr. 1958
	II	III	IV	I	II	
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Gross private domestic investment	51.3	54.2	61.3	69.8	77.5	26.2
New construction, total	34.6	35.4	37.3	39.7	41.0	6.4
Residential (nonfarm)	16.9	18.0	19.9	21.9	23.1	6.2
Other	17.7	17.4	17.4	17.8	17.9	.2
Producers' durable equipment	22.6	22.2	23.2	23.9	26.0	3.4
Change in business inventories	-5.8	-3.4	.8	6.1	10.4	16.2
Net exports of goods and services	1.2	1.6	.2	-.9	-1.8	-3.0

Department of Commerce

Home Building at High Rate; Continues to Advance

Residential construction has been another bright spot in the economic picture over the past year. The annual rate of new housing starts has averaged about 1.4 million units for the past 9 months. This is the longest period for which the number of new starts has remained this high. Housing starts in the first 7 months of this year have averaged 2 percent higher than in the same period in the boom year 1955, and a little under the comparable months of 1950, the peak year for home construction. In those two earlier housing booms virtually all the increase in starts was in FHA and VA financed housing. The present uptrend has been among both conventionally mortgaged houses and those financed with Government assistance.

Sharp Gain in FHA and VA Applications

Applications for FHA commitments, requests for VA appraisals, and construction contract awards each give some indication of future changes in the level of construction activity. At present they point to a strong demand for housing. Applications for FHA commitments rose sharply last spring to an average of close to 40,000 applications per month and jumped to more than 60,000 in June. This compares with 33,000 applications in June of last year. Requests for VA appraisals, after declining sharply last fall, have been increasing since the beginning of this year. By June, appraisal requests had risen to about the level of a year ago. Information on contracts awarded is available up to April. According to reports of the F. W. Dodge Corporation, contracts awarded for private residential construction rose 23 percent over the 12 months ending April.

Vacancy Rate Up

Two factors of significance in the housing market may tend to limit home construction in the near future. Vacancy rates showed a significant increase in the second quarter of 1959. The Census Bureau has reported that 6.7 percent of all rental units were vacant compared with 6.1 percent during January-March and 6.0 percent in the same period last year. Among homes for owner occupancy, 1.2 percent were available for sale compared with 1.0 percent in the previous quarter and 1.1 percent a year earlier. In addition to the higher vacancy rate, competition from other sectors of the economy for funds, as the economic upswing continues, may cause a growing tightness in money flowing into mortgages, as occurred during the 1955 housing boom. If yields on alternative long-term investments continue to advance, the interest rate ceilings on VA and FHA mortgages will tend to reduce the supply of funds for these loans. If prospective home purchasers must shift more to conventional financing, the higher down payment and amortization requirements will reduce the number of borrowers.

Steel Strike Has Small Impact On Economic Activity

The steel strike has lasted nearly 7 weeks. So far, it has failed to seriously affect the uptrend in industrial production and employment. The Federal Reserve Board's index of primary metals output (which includes steel) declined a little more than one percent in June as mill operations slowed down in anticipation of the end of the labor contract in the steel industry. However, steel output has a weight of less than 5 percent in the index of industrial production. Total industrial output rose a little more than 1 percent in June. In July, steel output dropped sharply after the fifteenth and operations were down to 12 percent of capacity by the beginning of August. But industrial production declined only one percent. By the end of July, layoffs as a result of the strike were still confined almost entirely to workers directly associated with steelmaking.

Some idea of the impact that a prolonged steel strike would have on the economy may be obtained from the effects of other lengthy strikes in the post-war period. In July-August 1952 the steel industry was strike-bound for nearly 8 weeks. At that time, the number of employees in nonagricultural industries declined fractionally and industrial output fell 5 percent in July of that year but these lows were more than made up in the following month and economic activity rose rapidly for the rest of the year. In 1956 the steel industry was involved in a strike of approximately a month's duration. Industrial production then declined $3\frac{1}{2}$ percent and nonagricultural employment fell 2 percent. These losses were quickly made up and the economy moved sharply upward in succeeding months. The economy is even less vulnerable today. The steel industry is becoming of relatively smaller importance in the total economy. In addition, leading industries, particularly the auto industry, have built up steel inventories.

Corporate Profits Equal Previous High

Corporate earnings reached an annual rate of $45.5 billion during the first quarter of 1959, $2 billion above the previous quarter and approximately equal to the record high reached in the fall of 1955. Profits in the first quarter of 1959 were almost 20 percent higher than the recession low of $38.0 billion during the third quarter of 1958. Earnings after tax liabilities and inventory adjustments totaled $22.9 billion compared with $19.2 billion for the third quarter of 1958. The sharpest increase in profits was in the non-durable goods manufacturing group, especially in the chemical industry. Profit data for the quarter ending June 30 are not available, but trade reports, as well as high corporate sales, indicate that further substantial gains occurred.

Automobile Output at High Level Before Model Changeover

Among durable goods industries, gains in automobile production have been the most significant factor contributing to economic expansion in 1959. Output during the first 6 months of this year totaled 3,478 thousand units, about 50 percent above last year. Output during July amounted to 555 thousand cars, slightly under the 558 thousand produced in June, but the highest total for July since 1955. Production in August and September will fall sharply when motor companies close down for model changeover.

Dealers' sales of new passenger automobiles amounted to 452,000 units in July, 22 percent below the June level but 30 percent above July 1958. The drop in automobile sales in July reflected, at least in part, reaction from an unusually sharp increase in June sales because of dealers' sales contests. Many of the sales that occurred in June may have been borrowed from the normal July volume. The substantial gain in auto sales, as well as trucks, was reflected in larger earnings for many automobile corporations in the first half of 1959, compared with the previous year. However, earnings during the

second half of 1959 are not expected to continue at the level of the first 6 months, principally because of lower production schedules and high non-recurring expenses. The latter will result from the introduction of the new 1960 models, including the compact economy cars.

Inventories on hand have increased in recent months and in July they were at a record 965,000 units, about 10 percent above June and about 45 percent above a year ago. In addition to the usual seasonal increase in inventories before the model changeover, the large inventories this year reflect an accumulation in response to the expected steel strike which began in mid-July.

Trends in Automobile Exports and Imports

The value of United States passenger car exports amounted to $258 million in calendar 1958, almost 7 percent below the $276 million exported in 1953, and 32 percent lower than the peak of $382 million registered in 1955. Between 1953 and 1958, automobile imports into the United States rose from $42 million to $489 million (table 4). In 1958, these imports were equivalent to approximately 6 percent of United States output. However, a portion of the $447 million increase in auto imports represented revenue for American motor companies with subsidiaries abroad.

Table 4.--United States imports of new automobiles and comparisons with United States production and exports, 1953-1958 and January-June 1959

Year	Imports		Exports		Production	
	Value	Quantity	Value	Quantity	Value	Quantity
	Million dollars	Thousands	Million dollars	Thousands	Million dollars	Thousands
1953	42.1	27.1	276.3	154.7	9,002.6	6,116.9
1954	45.0	34.6	300.9	173.3	8,218.1	5,558.9
1955	69.2	57.1	381.9	212.4	12,452.9	7,920.2
1956	126.6	107.7	333.6	175.1	9,755.0	5,816.1
1957	301.4	259.4	300.5	143.1	11,198.4	6,113.3
1958	488.6	432.4	258.3	121.8	8,010.0	4,257.8
Jan.-June 1959	371.6	334.2	126.9	59.4	6,244.2	3,478.3

Bureau of the Census and the Automobile Manufacturers Association.

In part, the upward trend in automobile imports into this country reflects greater ability of foreign producers to fulfill domestic needs, as well as increase foreign deliveries. In 1958, foreign output accounted for 49 percent of the estimated 8.5 million units produced in the world, compared with 25 percent of the estimated 8.1 million in 1953. Between 1953 and 1958 total production of passenger cars rose about 140 percent in the United Kingdom, Western Germany, France and Italy. American demand for foreign autos has been rising in recent years. Although the generally lower price of European cars has been a factor for some consumers, a shift in tastes from the large car to the compact economy and sports car has occurred because of such things as operation economies, parking advantages, and prestige. The introduction of a compact car by the American motor industry in the fall of 1959 may diminish the rate of increase.

Foreign passenger car production, 1953-58, monthly average

(Thousand units)

Year	United Kingdom	Western Germany	France	Italy
1953	50	31	31	13
1954	64	43	36	16
1955	75	59	46	20
1956	59	71	54	24
1957	72	80	60	27
1958	88	98	77	32

Organization for European Economic Cooperation, General Statistics.

While exports of United States automobiles in 1958 fell by about 14 percent, domestic production dropped by almost 30 percent. Both exports and domestic production fell when demand eased because of the recession here and abroad. United States factory output recovered during the first half of 1959, but exports remained relatively low. In addition to substantially increased foreign competition, many foreign countries limit imports of United States automobiles with quantitative restrictions and tariffs in order to conserve scarce dollar reserves or to protect home production. Heavy taxes placed on luxury goods, including automobiles, also widens the price gap between American and foreign cars. Fuel economy is more important in many foreign countries because of the higher price of gasoline compared with that in the United States. Many consumers abroad cannot afford to purchase the relatively more expensive American cars because of the lower level of income.

Manufacturers' Sales, New Orders Rise in June

The rise in factory sales, which started from a recession low of $24.9 billion in March-April 1958, continued in June. Manufacturers' sales climbed to $31.3 billion, seasonally adjusted, about 2 percent higher than in May. Both durable and nondurable sales advanced by about $300 million because of larger sales in a wide range of industries. New orders placed with manufacturers totaled $31.1 billion in June compared with $30.5 billion in May and $24.7 billion in March-April 1958. In June, incoming business for nondurables industries remained at the May level of $15.3 billion, while new orders for durables, after a sharp dip in May to $15.1 billion, rose to the April level of $15.8 billion.

Dip in Industrial Production Reflects Steel Strike

The Federal Reserve Board's seasonally adjusted index of industrial production dropped 2 points in July to 153 percent of its 1947-49 average. The decline is attributable to reduced output in durable manufactures and mining. Production of durable manufactures dropped 3 points to 169, while nondurables edged up a point to 146. In late July and early August, steel production was operating at about 12 percent of capacity, compared with 90 percent in June when steel output was directed toward a build-up in stocks. In addition to the decline in steel activity, the index of mineral production fell to 119 (1947-49=100) in July from 125 in the previous month, primarily reflecting related cuts in the production of coal and iron ore. A continued strong demand for most major household goods and a final spurt in automobile production before the model changeover pushed production of consumer durables to 147, 29 percent above July last year.

Employment Rise in July Less than Usual

Civilian employment totaled 67.6 million in July, a rise of one-quarter million from the record high of 67.3 million registered in June. However, this rise of 252,000 is less than the usual increase from June to July. Further recovery of the job situation in finance, contract construction, wholesale and retail trade, and most durable manufacturing offset a slight drop in employment in the primary metal industries. The July employment figures do not fully reflect the decline in employment in the strike-bound steel industry and some layoffs in steel-related industries because the strike began in the middle of the week in which the monthly employment survey was taken. In early August, an estimated 600,000 were on strike or had been laid off because of the work stoppage; about 500,000 were workers in basic steel and approximately 100,000 in industries closely allied to steel production. Agricultural employment amounted to 6.8 million, a greater than seasonal drop of about 406,000 from June, primarily as a result of bad weather in the South.

Table 5.--Employment and labor force, second quarter 1958 and second quarter 1959 with percentage change (not seasonally adjusted)

Item	2nd qtr. 1958	2nd qtr. 1959	Percentage change
	Millions	Millions	Percent
Civilian labor force	69.1	69.8	1.0
Employment	64.0	66.1	3.3
Nonagricultural	57.7	59.6	3.3
Agricultural	6.2	6.5	4.8
Unemployment	5.2	3.7	-28.8

Census Bureau

Unemployment on a seasonally adjusted basis was estimated to be 3.5 million or about 5.1 percent of the labor force, compared with 4.9 percent in June and 7.3 percent in July 1958. The rise from June to July reflected temporary factors resulting from the unusually large amount of agricultural unemployment and the large number of students entering the labor market, rather than a deterioration of the general employment situation. The steel workers on strike are not considered to be unemployed until they seek other jobs.

Increased vacation time resulted in a drop of 0.3 hours in the factory workweek to 40.4 hours in July. This seasonal decline in the length of the workweek caused average weekly earnings to dip by $1.08 to $90.09.

Consumer Prices Rise to Record Level

The Department of Labor's consumer price index for July 1959 rose to a record high, 124.9 percent of the 1947-49 average. This compares with 124.5 percent in June and 123.9 percent in July a year ago. The advance was primarily attributable to a 0.4 percent increase in food prices. However, prices of all major groups of goods and services, except household furnishings, were slightly higher. Most of the gain in food prices resulted from a sharp jump in egg prices, which rose for the first time in 10 months. Meat, poultry and fish prices were up fractionally; dairy prices were up 0.9 percent while prices of fruits and vegetables dropped 2.8 percent.

Advancing prices for household furnishings and building materials caused the index of prices paid by farmers for family living items to reach an all-time high of 289 percent of the 1910-14 average in mid-July. This was 1 point higher than in June and 2 points higher than in July 1958. Prices paid for household operation, autos and auto supplies were down fractionally, while food and clothing prices remained at the June level. The wholesale price

index declined fractionally in July for the third consecutive month. Most of the recent decline has been caused by falling farm product prices. Wholesale farm product prices in July were 7 percent below a year earlier.

Farm Product Prices Down Slightly; Prices Paid Unchanged

The index of prices received by farmers for all farm products in mid-July was 240 percent of the 1910-14 average, 2 points below June and the lowest since December 1957. A drop in prices for livestock, oranges and watermelons offset higher prices for eggs, milk and cotton. Hog prices were down a $1.70 from mid-June and were the lowest since March 1956. Prices received for beef cattle were down 50 cents from the previous month, but

Table 6.--Indexes of prices received and paid by farmers, July 15, 1959 with comparisons

(1910-14=100)

Group	July 15, 1959	June 15, 1959	July 15, 1958	Percentage change July 15, 1959 from June 15, 1959	Percentage change July 15, 1959 from July 15, 1958
Prices received:					
All farm products	240	242	250	- 0.8	- 4.0
All crops	226	229	222	- 1.3	1.8
Food grains	200	199	192	.5	4.2
Feed grains and hay	161	163	163	- 1.2	- 1.2
Cotton	287	266	260	7.9	10.4
Tobacco	503	509	474	- 1.2	6.1
Oil bearing crops	222	228	228	- 2.6	- 2.6
Fruit	206	223	274	- 7.6	- 24.8
Commercial vegetables	215	213	192	.9	12.0
Potatoes, etc. 1/	232	297	163	- 21.9	42.3
Livestock and products	252	252	274	0	- 8.0
Meat animals	314	329	348	- 4.6	- 9.8
Dairy products	239	229	238	4.4	.4
Poultry and eggs	139	124	167	12.1	- 16.8
Wool	248	241	211	2.9	17.5
Prices paid, interest, taxes and wage rates	298	298	293	0	1.7
Family living items	289	288	287	.3	.7
Production items	266	267	265	- .4	.4

1/ Includes sweetpotatoes and dry edible beans.
Agricultural Marketing Service.

90 cents above July a year ago. Egg prices rose more than seasonally from 24.1 cents in June (the lowest in 18 years) to 30.2 cents per dozen, while milk showed a seasonal increase of 4 percent. Marketings in South Texas of the high quality, new crop cotton pushed the price of upland cotton to 34.05 cents per pound, compared with 31.48 cents in June and 30.77 cents in July 1958.

The index of prices paid by farmers for commodities, interest, taxes and wage rates, at 298, was unchanged from June but 5 points above a year earlier. Although family living items increased by 1 point, prices paid for wages were down 2 points and production items down 1 point The parity ratio was 81, unchanged from June and 4 points below that on July 15, 1958.

FOREIGN DEVELOPMENTS

World Trade and Financial Situation

Foreign demand for United States exports continues to remain relatively low, even though economic activity abroad has been expanding in recent months. United States exports totaled $17.3 billion in fiscal 1958-59, compared with $18.7 billion last year. Almost 80 percent of the decline was attributable to non-agricultural goods, primarily the crude and semimanufactured commodities: petroleum, coal, and steel and steel mill products.

Merchandise imports rose to a peak of $13.9 billion during fiscal 1958-59, 9 percent higher than last year's record $12.7 billion. Iron and steel mill products, petroleum, automobiles and wool were among the major commodities to increase. United States demand for raw materials and manufactures rose with the record level of general business activity. The high and increasing level of personal income stimulated higher imports of consumer goods. In addition, the special circumstances of the mid-July steel strike and the mandatory import quotas imposed in April on foreign petroleum resulted in unusually large imports of these commodities in the latter part of fiscal 1958-59. Products made by American companies abroad have shared in this spurt in imports.

The net outflow of private government capital, excluding military grant aid, totaled $3.6 billion through March of fiscal 1958-59, about $300 million below that of the corresponding period a year earlier. The drop primarily resulted from a prepayment of $150 million made by Germany on a postwar debt for economic assistance. Higher interest rates in the United States in early 1959, compared with easier credit conditions in some of the major financial centers in Europe, reduced the net outflow of private capital. Industrial recovery and, consequently, the demand for funds in many European countries lagged behind that in the United States. However, interest rates have risen in some European countries recently. United States remittances and pensions to foreign countries totaled $546 million, $18 million above last year.

Total foreign gold and dollar reserves, including international institutions, amounted to $36.2 billion on March 31, 1959, approximately $800 million above the previous quarter and $4.4 billion greater than on March 31, 1958. Industrialized countries in general continued to strengthen their gold and dollar holdings. Reserves in underdeveloped countries also increased somewhat when prices of primary products rose with the pick-up in industrial production throughout the world.

Agricultural Exports

Farm product exports totaled $3.7 billion in the fiscal year ending June 30, 1959, a decrease of $300 million or 7 percent below the previous year. Cotton accounted for virtually all of the decline in agricultural exports. Farm product exports, excluding cotton, were about 5 percent higher than last year (Table 6).

United States exports of feed grains reached a record high of $527 million in fiscal 1958-59, 35 percent above the $392 million of a year ago. High European demand for barley and sorghum grains was chiefly responsible for the spurt in shipments of feed grains. Shipments of wheat and flour, excluding foreign donations, amounted to $726 million, 7 percent higher than last year. While most of the gain resulted from Title I exports to India and Brazil, shipments to the United Kingdom and Western Europe also increased. The latter are principally dollar markets for United States agricultural products.

Soybean exports, totaling a record $238 million, reflected greater European demand resulting from smaller oil stocks in Northern Europe. Furthermore, substitution from copra to soybeans occurred when copra prices rose substantially because of the short copra supplies in Asia. Larger Title I shipments of soybean oil to Spain, Turkey and Yugoslavia stimulated exports to $100 million in fiscal 1958-59, 7 percent above last year. Lard and tallow exports amounted to $148 million, slightly below those of a year ago. Exports of these commodities rose late in the year when greater output and lower United States prices began to prevail.

Shipments of cotton fell to a 3-year low of $413 million in 1958-59, 51 percent smaller than last year. Larger production in foreign exporting countries, higher beginning stocks and lower consumption in foreign cotton consuming countries, sizeable disparities between the price of United States and comparable foreign growths, and trade concessions from foreign export-competing countries were the main causes for the drop.

The substantial decline in exports of dairy products, from $114 million in 1957-58 to $85 million in 1958-59, reflected a sharp drop in cheese shipments. A lower rate of cattle slaughter curtailed domestic supplies of hides and skins and exports fell by about 14 percent. Exports of rice and tobacco were approximately the same as last year, shipments of fruits and preparations fell, while foreign takings of vegetables and preparations rose.

Table 6.--Agricultural exports, selected commodities fiscal years 1957-58 and 1958-59

Commodity 1/	Unit	Quantity 1957-58	Quantity 1958-59	Value 1957-58	Value 1958-59
				Million dollars	Million dollars
Barley, grain	Mil. bu.	86.9	112.7	87.4	126.8
Corn, grain	Mil. bu.	181.5	202.7	244.2	266.4
Oats, grain	Mil. bu.	25.6	29.8	14.4	21.1
Grain sorghums	Mil. bu.	42.3	94.7	45.6	112.7
Total feed grain	Mil. sh.ton	8.8	11.5	391.6	527.0
Wheat and wheat flour	Mil. bu.	384.2	423.1	681.0	726.4
Rice, milled	Mil. cwt.	1.1	1.3	91.1	97.1
Cotton, excl. linters	Mil. bales	5.7	3.1	841.0	412.8
Tobacco, unmfd.	Mil. lb.	472.8	473.3	343.0	350.3
Soybeans	Mil. bu.	87.9	102.8	213.8	238.3
Soybean oil	Mil. lb.	627.4	793.9	92.9	99.8
Cottonseed oil	Mil. lb.	298.3	285.0	47.7	36.5
Lard	Mil. lb.	400.0	463.6	55.2	55.1
Tallow, edible and inedible	Mil. lb.	1,096.1	1,116.2	96.6	93.0
Dairy products				113.5	85.4
Hides and skins				64.4	55.3
Meat and meat products				81.9	93.9
Fruit and preparations				262.1	228.9
Vegetables and preparations				120.4	134.9
"Other"				505.7	485.7
Total Agricultural exports				4,001.9	3,720.4
Total exports				18,741.1	17,283.3

1/ Commodity totals exclude quantities and values exported "for relief and charity." These are included in totals and "other."

Compiled from Bureau of Census data.

Prospects for United States agricultural exports appear favorable. Expansion of economic activity in Europe, together with larger gold and dollar reserves, will strengthen many of the main commercial markets for United States farm products. Furthermore, trade barriers, such as tariffs and quota restrictions, against United States commodities are being reduced by some foreign countries. The outlook for a pick-up in cotton exports seems good. Demand

for textiles and foreign textile mill consumption have risen in recent months. Inventories of cotton have fallen to relatively low levels in many importing countries. Lower cotton production is indicated in some cotton export-competing countries. Under the cotton program which began on August 1, United States cotton will be kept competitively priced with corresponding qualities of foreign growths.

FARM INCOME

Cash receipts from farm marketings totaled $16.6 billion during the first 7 months of 1959, about 1 percent below the corresponding period in 1958. Prices received by farmers averaged 3 percent lower, while the volume of marketings was up more than 2 percent. Receipts from livestock and products of $10.5 billion in the January-July period were 3 percent lower in 1959 than in 1958. Smaller receipts from hogs, eggs, broilers, and dairy products more than offset larger receipts from cattle. January-July receipts for crops totaled $6.1 billion in 1959, up about 3 percent from 1958, as substantial increases in receipts from oranges, wheat, corn, and tobacco were partly offset by a sharp drop in receipts from sorghum grain and potatoes.

Cash receipts in July are tentatively estimated at $2.6 billion, 5 percent below July 1958. Smaller marketings of wheat and lower prices for hogs accounted for most of the decline, although receipts from eggs, broilers, and oats were also substantially lower. On the other hand, prices for cattle and potatoes, and marketings of tobacco were up. July 1959 receipts from livestock and products are estimated at $1.5 billion and from crops at $1.1 billion.

LIVESTOCK AND MEAT

Livestock production continues upward. Hog prices have been declining for a year and the increase in cattle numbers indicates that cattle prices will begin a gradual cyclical downtrend in 1960.

Hog prices will remain below a year earlier this fall and winter. Even though extreme price lows are unlikely, the general level will be the lowest for a number of years. The seasonal low point this fall may occur earlier than it has in most years, and recovery afterward will be slow. The range of price fluctuations throughout the next 8 or 9 months will be much narrower than usual.

Any sizable increase in farrowings next spring would result in prices in the fall of 1960 as low or lower than this fall. The outlook does not justify any material expansion by producers next year.

Prices of cattle have been unusually stable this year. This is in contrast with the almost uninterrupted advance during the previous two years. It suggests that prices may be at or near their cyclical high. The chief

factor pointing to the beginning of a price decline in 1960 is the big inventory of slaughter steers and heifers being built up. By the end of 1959, steer and beef heifer numbers on farms may be around 25 percent greater than three years before. Even at a slow rate of marketing, slaughter supplies in 1960 would be appreciably above this year. On the other hand, as the cow herd and annual calf crop have not been expanded a great deal, a really sharp increase in slaughter is not likely. And any reduction from the record heavy slaughter weights of 1959 would temper the effect of greater numbers slaughtered.

In the coming feeding year, cattle producers and feeders will likely begin to face a slowly declining price level. Prices of feed probably will not change much. Hence, possibilities of earning normal profits in feeding will be linked closely to price trends for feeder cattle this fall. Feeder prices declined seasonally this summer but in early August were still above a year before. Prices are likely to decline somewhat further. By mid-fall they may be below a year ago, thus improving profit prospects in feeding of cattle compared with earlier prices.

Prices of sheep and lambs, after fluctuating erratically last winter, have traced their customary seasonal decline this summer. In early August prices of slaughter lambs were not much different from a year before, but prices of feeder lambs were lower. As the 1959 lamb crop was only 2 percent larger than the 1958 crop, slaughter lamb prices until October may remain in the vicinity of last year's prices but not above them. After that month, however, prices could be higher than last year. Feeder lamb prices may continue below last year.

DAIRY PRODUCTS

The seasonal suspension of sales of butter to the Government for price support apparently occurred about a month earlier this year than last. The suspension of butter sales reflects an increase in consumption of fluid milk and ice cream and a reduction in milk output; in June and July milk flow was down 2 percent from a year earlier. However, cheese sales to CCC are running above the very low level of a year earlier. In the last few weeks butter production has been down 12 percent from a year earlier and American cheese output down 7 percent. Butter prices have advanced a little over a cent per pound from spring and early summer levels, but only fractional advances have occurred so far for a few other products.

The number of milk cows on farms declined 2.4 percent in the year ended June 1959. This was a little greater than the average of recent years though short of the 3.4 percent drop which occurred from June 1957 to June 1958. The continued downtrend is largely the result of adjustments by farmers to a declining demand for some dairy products and to new technology which resulted in increased productivity of milk cows. The increase in scale of farms has been insufficient to offset the reduction in number of farms with milk cows. The significant let-up in rate of decline in numbers from last year's comparatively high rate indicates the influence of declining hog prices and comparatively stable beef prices in contrast to sharply rising prices last year.

The decline in annual rate of total milk flow, particularly in June and July, reflects primarily the reduction in annual rate of milk production per cow from late in 1958 and earlier this year. The condition of pastures is the main factor that differs from 1958, though the effort by farmers to shift calving periods among their herds could also have had some influence. The index of pasture conditions was 77 on August 1 compared with the comparatively high 88 a year earlier. Farmers increased the rate of concentrate feeding to a new record high for August 1. No particular indication is evident that a ceiling in rate of milk production per cow has been approached. The relatively smaller increase in the U. S. figure for August 1 over 1958 reflects the drop in pasture conditions in important dairy states of the Northeast and North Central States. Most other states showed further substantial increases in production per cow. With large supplies of both feed concentrate and roughages available it is likely that the annual rate of milk production will rise in coming months.

Total consumption of fluid milk products except cream continues above a year earlier. Butter consumption is down from last year's comparatively low level, and cheese consumption is running a little below last year's record high level. The increased use of fluid milk in the face of the 2 percent reduction in milk output accounts for the sharp decline in output of both butter and cheese.

The increase over last year in cheese sales to CCC since April 1 is of only minor significance in view of the relatively small volume purchased in 1958. In the first 4 months of this marketing year, sales of butter to CCC totaled 76.5 million pounds compared with 94.7 million a year earlier. Cheese on the other hand, totaled 34.8 million this year compared with 22.8 million last year and 103.3 million in April-July 1957. The milk equivalent of these is 1.9 billion pounds this marketing year compared with 2.1 billion a year earlier. Deliveries of nonfat dry milk to USDA since April 1 of this marketing year have been about equal to a year earlier.

POULTRY AND EGGS

Egg and broiler prices were about steady throughout most of July, despite smaller production of each than in the preceding month. Turkey prices were mostly down. At their mid-month levels, prices of each of these commodities were lower than last year.

In mid-July, the U. S. average egg price received by farmers was 30.2 cents per dozen, up more than 5 cents from mid-June. The increase between the dates of these 2 prices primarily occurred in late June, and during July most prices showed only small changes. In the Northeast, July prices for brown eggs were especially firm; in New york they generally exceeded prices for comparable white eggs by several cents per dozen. This may be a reflection of the slightly smaller production than last year in New England, while U. S. production was up 2 an 1 percent respectively in June and July.

By mid-August large eggs in leading markets had advanced about 1 to 3 cents per dozen above a month earlier but these gains were largely offset by declines in the price of medium sized eggs. During the next few months average egg prices are expected to show some seasonal increase but continued heavy production is likely to hold U. S. average prices at levels lower than a year earlier.

Reported commercial slaughter in July of young chickens--mostly broilers--continued slightly larger than last July, although the total for the month was slightly lower than the June total. The July figure was higher than had been expected on the basis of earlier chick placements. Although the July slaughter did not decline as much as expected, the facts that (a) it was below June, and (b) July is considered to be the month of peak demand for young chickens, led to the expectation of a higher July broiler price than actually occurred. In mid-July the average price to producers was 16.1 cents per pound; in mid-June it had been 15.8 cents, and in mid-July 1958, 19.3 cents. In mid-August, broiler prices in the major producing areas were about the same as in mid-July, despite the expectation that August slaughter--as indicated by earlier placements-will be lower than both the month preceding, and the corresponding month in the preceding year. On a seasonal basis, August demand is almost up to the July peak. Lower pork prices may be a partial explanation for the weakness in broiler prices.

Although rising seasonally, turkey slaughter is still at a relatively low level. The net into-storage movement began a week earlier this year than in either 1958 or 1957, but the margin by which 1959 stocks fall below 1958 has held steady. On August 1, stocks were about 18 million pounds less than last year, the same as in April and May. Prices for the heaviest frozen toms, which at this season still come mostly from storage, were almost 10 cents per pound above last year in mid-August. Prices of other types are below those in 1958. The price at the farm level in mid-July averaged 22.4 cents per pound, live compared with 24.5 cents a year earlier.

OILSEEDS, FATS AND OILS

Early August indications point to new record large supplies of edible fats, oils, and oilseeds in the 1959-60 marketing year beginning October 1, 1959. Prospects are that they may exceed the current year's record 13.0 billion pounds (oil equivalent) by about 10 percent.

Beginning stocks of food fats (including the oil equivalent of soybean stocks) are likely to be up about one-third from October 1, 1958. Most of the increase in starting stocks will be in soybeans, although more lard also will be carried over. Little change from the year earlier stock position is in prospect for edible oils but less butter will be on hand.

Output of lard in the 1959-60 marketing year likely will increase around 11 percent and cottonseed oil over 25 percent. Soybean supplies are expected to be nearly as large as last year, as the increase in prospective carryover stocks nearly offsets the decline in output.

Domestic disappearance of food fats probably will continue to rise in 1959-60 with growth in population accounting for most of the increase. With the sharp increase in domestic supplies, it appears that the quantity of food fats available for export in 1959-60 would be up sharply from the 3.2 billion pounds estimated for the year just ending.

While it is too early to estimate the 1959-60 season exports, sales for dollars plus a large P. L. 480 program for edible oils and lard is expected to result in a peak outward movement. Soybean exports are expected to continue to rise in 1959-60, as factors generating the expansion during the current year are likely to continue to operate. The cumulative effect of 2 years drought in the far East is expected to continue to reduce world copra and coconut oil availabilities at least through June 1960. Reduced supports on soybeans and increased supplies of cottonseed oil should enhance our competitive position in world markets.

U. S. supplies of soybeans during 1959-60 are estimated at 581 million bushels, about 2.5 percent less than a year earlier. However, approximately 35-40 million bushels of old crop beans likely will be in the hands of CCC compared with 14 million held by the Corporation a year earlier. Based on August 1 indications, the 1959 soybean crop is placed at 531 million bushels, 44 million below last year's record crop. While a crop this size would bring supplies closer in balance with probable demand, it nevertheless would be sufficiently large to cause soybean farm prices during the heavy harvesting season to dip toward the national support level of $1.85 per bushel, which is 24 cents below the 1958 level.

If the ratio of lint to cottonseed yield is the same as the average for the past 5 years, production of cottonseed as estimated August 1 would total 6,149,000 tons, 28 percent more than in 1958. Cotton acreage for harvest this year is up sharply, mainly because most of the 5 million acres placed in the Acreage Reserve in 1958 is back in production. Farm prices for cottonseed are likely to average somewhat below the $43.80 per ton received for the 1958 crop, but above the CCC purchase price of $34.00 per ton, basis grade (100).

Lard output in the marketing year beginning October 1, 1959 is expected to increase around 11 percent from the 2,675 million pounds now estimated for the current marketing year. The increase mainly would reflect a rise in hog slaughter. A relatively low level of lard prices is expected during the 1959-60 marketing year. On August 3, the USDA announced it will offer lard for export under Title I of P. L. 480 in order to stimulate exports.

Production of peanuts is forecast at 1,727 million pounds, about 6 percent below last year's large crop. Prospective supplies are well above domestic needs for food and farm uses and CCC probably will acquire a substantial portion of the crop. As the case for most recent years, farm prices for 1959 crop peanuts are likely to average at about the support program loan value, which is nearly 10 percent lower than for 1958.

Flaxseed output in 1959 is forecast at 23 million bushels, about 16 million less than last year. A flax crop this size would be somewhat less than domestic requirements but carryover stocks were up more than enough to

make up the deficit in output. Prices to farmers will average well above the support price of $2.38 per bushel, but much depends upon the quality of the seed.

FEED

The total 1959 production of feed grains, based on August 1 conditions, is estimated at 158 million tons, about equal to last year's record output. The August estimate of the corn crop is 4,173 million bushels, down 51 million bushels from July, but 10 percent above last year. The increase in corn offsets smaller production of other feed grains. The sorghums grain crop was estimated at 508 million bushels, 107 million below the record 1958 crop. The oats crop is down 26 percent from last year and the barley crop 13 percent. The carryover of feed grains into 1959-60 is expected to total about 68 million tons, giving a total domestic feed grain supply of 226 million tons, 4 percent larger than in 1958-59.

The total tonnage of all feed concentrates is expected to increase to around 255 million tons in 1959-60, 9 million more than in 1958-59. In addition to the record feed grain supply, the total tonnage of byproduct feeds is expected to at least equal the big tonnage in the 1958-59 feeding year and wheat and rye feeding probably will continue near the 1958-59 rate. An increase in grain-consuming livestock also is expected and the 1959-60 supply per animal unit is now estimated to about equal last year's record.

Pastures and forage crops are not furnishing as much feed for livestock this year as in 1958, although they are near average. On August 1, pastures were 78 percent of "normal" compared with 89 percent last year and 77 percent for the 1948-57 average. The hay crop is down 10 percent from last year, but slightly above the 10 year average.

Prices received by farmers for feed grains declined in July and early August, after rising more than seasonally from November to June. The mid-July index was down 2 percent from June and 3 percent below a year earlier. Prices of high-protein feeds also have dropped a little from June to July, continuing the downward trend that began last January. In July, they averaged 13 percent lower than in July, 1958.

Corn prices have been firm in recent weeks, while other feed grains have declined. The price of No. 3 Yellow corn at Chicago averaged $1.26 per bushel for the week ended August 14, nearly 20 cents above the seasonal low last fall, but 10 cents below a year earlier. Barley prices declined at midwestern markets in late July and early August with the harvesting of the new crop. The price of No.3 barley at Minneapolis dropped from $1.21 per bushel in early July to $1.12 for the first half of August. This was about 3 cents lower than a year earlier, but still above the terminal support rate. Oat prices, influenced by the short 1959 crop, continue well above the 1959 support rate and also are higher than a year ago. Sorghum grain prices have declined since July to somewhat below last year's level.

Prices of soybean meal, tankage and meat meal have led the price decline in high-protein feeds. In the first half of August, soybean meal was selling for $54.00 per ton bulk at Decatur, about 15 percent lower than a year earlier. Tankage and meat meal prices were about a third lower. Prices of most of the other byproduct feeds were near or a little below August 1958 levels. Major exceptions were alfalfa meal and linseed meal, which were substantially higher in August this year than last year.

WHEAT

The total wheat supply for the marketing year which began July 1, 1959, estimated at 2,404 million bushels, is a record high. It exceeded the previous peak of last year by 53 million bushels, or 2 percent, and 1957-58 by 533 million bushels, or 28 percent. A 45 percent increase in the carryover from last year more than offsets the reduction in the crop.

Supply this year consists of the carryover July 1, 1959 of 1,277 million bushels, the crop estimated as of August 1 at 1,119 million and an allowance for imports of about 8 million bushels, mostly of feeding quality wheat.

Domestic disappearance in 1959-60 is estimated at about 626 million bushels, slightly below last year, leaving about 1,778 million bushels for export during the marketing year and carryover July 1, 1960. Assuming exports of about 410 million bushels, which is moderately smaller than the 443 million exported in 1958-59, the carryover July 1, 1960 would total about 1,370 million bushels. This compares with 1,277 million bushels this year and 881 million on July 1, 1958. The prospective carryover in 1960 would be over 5 times the 256 million bushels in 1952, before our present large stocks began to accumulate.

Of the total carryover stocks on July 1, 1959, the CCC owned 1,134.6 million bushels, 299.7 million above a year earlier and 310.7 million above two years ago. There were also 39.1 million bushels of the crop resealed and 32.8 million still outstanding under the 1958-crop price support program, 5.8 million 1957-crop wheat under extended reseal and 1.3 million of 1956-crop under re-extended reseal. The net result was that "free" supplies of old crop wheat on July 1, 1959 amounted to 63.1 million bushels, well above the 28 million bushels a year earlier and slightly below the 72 million two years ago.

Wheat prices have not declined relative to the support as much as usual for this time of the year. The relative strength reflects the withholding of wheat from market made possible by the adequate storage space available as a result of new construction, and reduced production from the record level of last year. Moreover, quantities not eligible for price support, because of seedings in excess of allotments, are much less than for the 1958 crop when they were above any previous year. Many farmers are probably withholding their wheat from market until the new tax year begins because of large sales from the 1958 record production.

As in recent years, prices in general are expected to strengthen after the heavy movement slackens following harvest. Reflecting the early season strength in market prices, the U. S. price to farmers in 1959-60 may average slightly higher than the $1.72 for last year, even though the support price of $1.81 is down 1 cent.

FRUIT

During late summer, supplies of fresh deciduous fruits will be seasonally heavy as harvest of the generally larger 1959 crops continues. In contrast, supplies of fresh citrus will be seasonally light, though supplies of California Valencia oranges will remain much heavier than a year ago. Grower prices for most fresh market fruits probably will average no higher than a year ago, and prices for fruit for processing somewhat below because of increased production.

During July and early August, prospects for 1959 crop deciduous fruits continued favorable, except mainly for a decline in California caused by hot weather. Total U. S. production, based on August 1 conditions, is expected to be about 3 percent above 1958 and 7 percent above average. Most crops marketed in heavy volume during late summer are expected to be larger than in 1958, mainly because of increased production in western States. Among these fruits, however, production of peaches, pears and grapes is smaller in the eastern States. The apple crop is smaller than in 1958 in the western States and much the same as in 1958 in the eastern and central States.

Total production of almonds, filberts, walnuts and pecans in 1959 is expected to be about 7 percent larger than in 1959 and 10 percent above average. Heavy decreases in walnuts and pecans are more than offset by a tremenduous increase in almonds, of which the crop is record large. The filbert crop also is larger this year.

Remaining supplies of California Valencia oranges from the heavier 1958-59 crop are considerably larger than a year ago, and those of lemons are not greatly different from this time last summer. Supplies of grapefruit, now mostly from California, continue seasonally light. Stocks of canned citrus sections and juices and frozen orange concentrate are larger than the relatively light stocks last summer. In early August, prospects for the 1959-60 citrus crops were generally favorable.

A large increase in output of dried fruits and a moderate increase in the pack of canned fruits are expected in 1959 because of the generally heavier deciduous crops in the western States, especially California. A small increase seems likely in the 1959 pack of frozen deciduous fruits and berries (excluding juices). An increase in frozen sour cherries and other items probably will more than offset a decrease in strawberries.

COMMERCIAL VEGETABLES

For Fresh Market

During early summer most fresh vegetable items were in steady, ample supply. In general there was less overlap of harvest from spring crops than last year, and prices to growers for the majority of fresh vegetables averaged somewhat above the relatively low levels of a year earlier.

Supplies of fresh vegetables for late summer harvest, excluding melons, are expected to be moderately larger than last year. A materially larger crop of late summer onions, a large portion of which goes into storage, accounts for about half of the total expected increase. However, indicated production is moderately to substantially larger for late summer celery, cucumbers, green peppers and tomatoes, and for summer snap beans, escarole, lettuce and spinach. But prospective tonnage is down materially for late summer carrots, and for summer lima beans and cauliflower. Output is also expected to be down moderately for late summer cabbage and for summer beets. Prices in late summer are likely to be at least moderately above the low average levels of a year earlier.

Supplies of watermelons in late summer are expected to be somewhat lighter than a year earlier, and prices are likely to average somewhat higher than in late summer last year.

First production estimates indicate materially less early fall cabbage and carrots than in 1958 and a little less early fall celery.

For Commercial Processing

Early reports indicate smaller production of vegetables for commercial processing this year than last. August estimates for 6 vegetables, which typically make up 85 to 90 percent of total tonnage for the 10 crops regularly reported, indicate an aggregate production of these vegetables about 5 percent smaller than last year, but still materially above the 1949-57 average. Production of spinach for winter and spring processing, which typically accounts for about 80 percent of the annual total, was about 45 percent above last year's short crop; sweet corn is expected to be up 22 percent; snap beans up 7 percent; and contract cabbage for kraut up 1 percent. Prospective tonnage of green peas is down 5 percent, and tomatoes down 15 percent.

Although stocks of canned vegetables at the beginning of the current marketing season were moderately larger than a year earlier, current production prospects point to total supplies in the current season below those of the past season. However, some items will again be in heavy supply, and total supplies will remain above the 1949-57 average. Supplies of frozen vegetables are expected to be moderately above last season and materially above average.

POTATOES AND SWEETPOTATOES

Production of potatoes for late summer harvest is estimated at 33.7 million hundredweight, 2 percent below a year ago, but slightly above average. Prices so far this summer have averaged substantially above the low levels of

a year earlier. For the week ended August 8, f.o.b. shipping point prices of unwashed Cobblers at Riverhead, Long Island, New York and nearby points, averaged \$1.08 per 50-pound sack, compared with \$.68 for the corresponding week of 1958.

First production estimates indicate a crop of potatoes for fall harvest a tenth larger than the 1949-57 average, but 8 percent smaller than last year. However, 1958 fall crop potatoes were in surplus supply and large quantities were directed to starch and livestock feed.

Prospective production of sweetpotatoes at 17.9 million hundredweight is slightly larger than last year, but almost a tenth below the 1949-57 average. Prices received by growers are expected to decline seasonally into the fall, but are likely to average about the same as a year earlier.

COTTON

Prices received by farmers rose more than $2\frac{1}{2}$ cents between mid-June and mid-July. The July price of 34.05 cents per pound reflects the high quality of the new crop being marketed in the Lower Rio Grande Valley. The average 14 spot market price for Middling 1-inch cotton was 33.55 cents per pound in July. Since then the price has declined and on August 20 was 31.82 cents per pound. These prices compare with 34.81 and 34.83 cents per pound a year earlier.

Mill consumption during the 5-week period May 31-July 4 totaled 819,538 bales, 224,000 more than in the 4-week period, June 1-June 28, 1958. On a calendar month basis, consumption for the 11 months of the 1958-59 season totaled 7.9 million bales, compared with 7.4 million during the corresponding period last season. According to the Bureau of the Census, the daily rate of consumption in June 1959 was 32,782 bales. While this was the highest daily rate for June since 1955, it showed a considerable decline from the approximately 35,000-bale average of the previous 2 months. However, the June daily rate was calculated on the basis of 25 working days. Later trade data indicate that there were fewer working days than this in June so that the actual daily rate of mill consumption in June was above the previous 2 months. If the daily rate of consumption during July should average at least 35,000 bales for the 20 working days in that month, a total of 700,000 bales is indicated. This would confirm earlier estimates of total consumption of close to 8.7 million bales for the 1958-59 season.

Factors favorable to continued high level of mill use of cotton include: (1) the further improvement in mill margins in June and (2) the decline in the ratio of inventories of cotton broadwoven goods to unfilled orders to the lowest level in $3\frac{1}{2}$ years. Mill margins in June at 28.20 cents were the highest since November 1956 and about 30 percent above a year ago. A further improvement is indicated by the firmness in forward quotations for fabrics during a period when cotton futures indicate lower prices than last year. The inventory-unfilled orders ratio in June at .22 was the lowest since January-February 1956. However, the level of unfilled orders in June, equal to 16.8 weeks' production, was 4.5 weeks above January 1956, while inventories equal to 3.7 weeks' output, were higher by only the equivalent of 1 week's production.

Purchases on the 14 spot markets during July averaged about 178,000 bales per day. Because of the limited number of transactions, prices on these markets took on nominal characteristics.

Nearly a half million bales from CCC's inventory of 1957 and prior-crop upland cotton were sold for unrestricted use by the New Orleans CSS office on bids opened July 27, 1959. This was the first sale under NO-C-12. Acceptable bids had to be at the higher of 110 percent of the choice (B) loan rate or market price. Bids covered about 1½ million bales, of which less than half were accepted. The substantial volume of bids reflects the strong current demand for 1959-60 season domestic consumption and export. As of August 7, export registrations under the 1959-60 payment-in-kind program totaled over 1.1 million bales. This compares with CCC sales for exports of about 708,000 bales as of August 4, 1958 under the previous year's program. It is anticipated that a large part of the cotton registered for export under the 1959-60 program will be exported during August and September.

The 1959-60 cotton crop was estimated at 14.7 million running bales (14.8 millior bales of 500 pounds each) as of August 1, 1959. The crop is expected to be harvested from about 15 million acres and the harvested yield is estimated to be the highest on record of 474 pounds per acre. This compares with the previous high of 466 pounds in 1958. The only State with a record high yield was California which showed a yield of 1,086 pounds per acre. This compares with the previous high of 1,049 pounds in 1958. Although the other cotton producing States had high yields, none of them showed record highs.

WOOL

Prices received for shorn wool by United States growers during July 1959 were 16 percent above a year ago. This reflects the general improvement in world wool demand and prices which began in the closing months of 1958, and has continued during the first half of 1959. A further expansion in world supplies and disappearance appears likely in coming months.

The Foreign Agricultural Service estimates the 1959 world sheep numbers at 966.6 million head, 1.6 percent more than 1958. This is the twelfth consecutive year that the numbers have risen. United States sheep numbers are estimated at 32.6 million head in 1959, 4 percent more than 1958, and the highest since 1948.

The first Foreign Agricultural Service estimate of 1959-60 world wool production is a record 5,445 million pounds, grease basis, up 135 million pounds or 2.5 percent from the revised estimate for the season just ended. Included in this estimate for 1959-60 are the clips of the Southern Hemisphere. Higher outputs this season will continue the upward trend in world wool production following a slight decline in 1957-58. The revised estimate of world raw wool production in 1958-59 set a new record high of 5,310 million pounds, grease basis, 260 million or 5 percent above 1957-58.

The estimated 1959 shorn wool production for the United States is 251.9 million pounds, grease basis, 5 percent more than the 240.8 million

pounds produced in 1958 and the highest since 1946. The number of sheep and lambs shorn is estimated at 30.5 million head, 3 percent more than 1958.

In importing countries commercial stocks were drawn down during 1958 as imports were curtailed more than consumption. As a counterpart of this, stocks in major exporting countries increased more than 50 percent. During the current season exports from all 5 major surplus producing countries are above last season and by mid-1959 exporters had disposed of the bulk of the increase in their stocks.

The firm demand in recent months has been reflected in both world and domestic prices. The Australian auctions closed with better grades 19 to 23 cents above January but still slightly below a year ago. The coarser grades, however, were selling at or above year-earlier prices. Indications are for continued strong prices when the Australian auctions reopen the end of this month. Prices for domestic shorn wool at Boston for the week ending August 14 were 16 to 22 cents a pound higher than January 1959 and 8 to 21 cents higher than those of July 1958. The average price received by domestic growers for shorn wool during July 1959 was 44.1 cents per pound, grease basis, compared with 42.9 cents in June 1959 and 38.0 cents in July 1958.

United States mill consumption of apparel wool during January-June totaled 138.4 million pounds, scoured basis, 36 percent more than last year. Carpet wool consumption during these same months totaled 86.2 million pounds, scoured basis, 76 percent more than a year ago. This is the highest first six months' use of carpet wool since 1950. The total raw wool consumption during January-June 1959 was 224.6 million pounds,scoured basis, almost 49 percent more than a year ago.

Reflecting the greatly increased rate of mill use, total imports for consumption during the first six months of 1959 were 172.1 million pounds, clean content, or almost double those of the same period last year. Duty-free imports totaled 112.6 million pounds, dutiable, 59.5 million pounds.

Based on consumption to date, adjusted for normal seasonal variations, a total domestic mill consumption of close to 435 million pounds is indicated for 1959. This assumes that 127 million pounds of apparel wool and 84 million pounds of carpet wool will be used during July-December 1959. If carryover stocks were to be at approximately the same level as on January 1, 1959, the projected rate of consumption would call for imports of apparel wool at a rate about 3 times as high as actual imports during July-December 1958. Imports of carpet wool at approximately three-fourths the rates in July-December 1958 would appear adequate to meet indicated needs.

TOBACCO

Marketing of this year's crop of flue-cured have been under way in the Georgia-Florida (type 14) and South Carolina-border North Carolina (type 13) Belts since late July. Through mid-August 156 million pounds were sold in the type 14 markets at an average 58.1 cents per pound, up almost 1 cent from a year earlier. In the type 13 area where auction markets opened a week later, about 85 million pounds were sold by mid-August at an average of 60.4 cents per pound, nearly equal with the comparable figure of last season. Auctions in the Eastern North Carolina Belt (type 12) began August 18 and those for the

Middle Belt (type 11-b) and oil Belt (type 11-a) will begin August 31 and September 8, respectively. Flue-cured stabilization has received for price support through mid-August 8.4 million pounds of tobacco or $3\frac{1}{2}$ percent of gross sales compared with 22.6 million pounds or 8.4 percent of gross sales through the comparable period of last year.

As of August 1 the flue-cured crop was indicated to be 7 percent larger than last year's crop but the third smallest since 1949. This year's crop plus the carryover on July 1, which is down 4 percent from a year earlier, will provide a total supply for 1959-60, only 1 percent lower than for 1958-59.

Flue-cured is the leading domestic cigarette tobacco and also the major export tobacco. In the year ended June 30, domestic use of flue-cured was practically the same as in the preceding year despite a (7) percent gain in cigarette output. The increased proportion of filter tips and technological changes such as processed sheet tobacco have enabled manufacturers to increase the cigarette outturn per pound of domestic farm-sales-weight tobacco. The use of imported cigarette leaf which is blended with domestic leaf in the typical American cigarette showed a sizeable increase in the past year. The July 1958-June 1959 exports of flue-cured tobacco barely exceeded those of a year earlier and were one percent below the recent 10 year average.

The August indication for the burley crop--the second ranking cigarette tobacco--was 5 percent larger than last year's harvestings. According to preliminary estimates, there has been little change in the domestic use of burley compared with a year earlier. The August 1 indication for Maryland tobacco was for a 3 percent larger crop than the current estimate for the 1958 crop.

Indicated production of fire-cured and dark air-cured (including sun-cured) tobacco as of August 1 was up 24 and 28 percent, respectively. The principal domestic use for these types is in snuff and chewing tobacco.

The August 1 indicated crops of the cigar filler and the Wisconsin binder types are about an eighth larger than last year's harvestings. This year's production of the Connecticut cigar binder types will be sharply higher than last year's very low outturn but well below most other years. The August 1 figures for the cigar wrapper types indicate an increase of about a tenth over last year's production.

In the fiscal year ended June 30, 1959, cigarette output totaled 479 billion--30 billion greater than in 1957-58 and a new high. Cigar output in domestic factories totaled 6,494 million, 542 million more than in 1957-58. The July 1958-June 1959 output of smoking tobacco was 14.8 million pounds, nearly equal with a year earlier, while output of chewing tobacco, at $68\frac{1}{2}$ million pounds, was down $1\frac{3}{4}$ million pounds from 1957-58. Output of snuff in 1958-59, at 34.6 million pounds, was slightly below 1957-58.

In the last fiscal year, exports of all types combined, at 529 million pounds (farm sales weight), were practically the same as in 1957-58. Exports of burley, One Sucker and cigar filler increased, and exports of flue-cured, cigar wrapper and Maryland tobacco held about even, but exports of fire-cured, cigar binder and Green River tobacco declined.

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